

701—39.13(422) Electronic filing of Iowa individual income tax returns. Electronic filing allows individuals who meet qualifications set out by the department to file their Iowa income tax returns electronically. All information is electronically transmitted. Nothing is submitted on paper, unless specifically requested by the department. A taxpayer's electronic Iowa return will include the same information as if the taxpayer had filed a paper Iowa return.

There is no statutory requirement that provides that individuals must file their Iowa income tax return electronically; therefore, taxpayers have the option to file by paper. The department may provide a variety of paperless filing options and will determine the criteria for each option on an annual basis. These options may include electronic filing, TeleFiling, or WebFiling.

39.13(1) Definitions. For the purpose of this rule, the following definitions apply, unless the context otherwise requires:

"Acknowledgment (ACK)" means a report generated by the department and sent to a transmitter indicating receipt of all transmissions.

"Declaration control number (DCN)" means a unique 14-digit number assigned by the ERO or transmitter to each electronic return.

"Department" means the Iowa department of revenue.

"Direct deposit" means an electronic transfer of a refund into a taxpayer's financial institution account.

"Electronic filing" means any paperless filing option approved by the department, including federal/state electronic filing (piggyback), federal/state electronic filing (state-only), TeleFile, and WebFile.

"Electronic return originator (ERO)" means an entity that originates the electronic submission of income tax returns.

"Federal/state electronic filing (piggyback)" means a process that allows the federal and state income tax returns to be simultaneously filed electronically.

"Federal/state electronic filing (state-only)" means a process that allows the Iowa income tax return to be filed electronically without filing the federal return, but an electronic copy of the federal information is still sent to Iowa. Current-year amended returns may also be filed using this process.

"IA 8453" means a taxpayer declaration form that authenticates the electronic IA 1040, authorizes its transmission, and designates payment method of any refund, including consent to direct deposit if requested.

"PIN signature alternative" means a process that allows filing a completely paperless tax return. The 5-digit PIN number is selected by the taxpayer and input by the ERO.

"Software developer" means an E-file provider that, according to IRS and Iowa specifications, develops software for the purposes of formatting electronic portions of returns or transmitting the electronic portions of returns directly to the IRS, or both. A software developer may also sell its software.

"Stockpiling" means collecting returns from taxpayers or from other electronic filers and waiting more than three calendar days to transmit the returns to the department after receiving the information necessary for transmission.

"TeleFile" means a process that allows taxpayers to file Iowa income tax returns by telephone.

"Transmitter" means an E-file provider that transmits electronic portions of returns directly to the IRS.

"WebFile" means a process that allows taxpayers to file Iowa tax returns over the Internet at the department's Web site.

39.13(2) Completion of the electronic return. All amounts must be in whole dollars and must match the information on the electronic record for the return. The DCN on the state return must match that used on the taxpayer's federal return when filing piggyback. The department has adopted the PIN signature alternative as implemented by the IRS. If the ERO elects not to use this signature alternative, the IA 8453 must be completed, signed by the preparer, ERO, and taxpayer(s) and retained by the preparer. The PIN signature alternative is not an option for state-only returns.

If the ERO makes changes to the electronic return after the taxpayer(s) has signed the return but before it is transmitted, and the net income differs by more than \$50 or any of the other amounts on the IA 8453 differ by more than \$14, a new form must be completed and signed by the taxpayer(s) before the return is transmitted.

The ERO must provide the taxpayer with the following information: copy of the data transmitted, copies of the IA 8453, W-2s, 1099s, and any other schedules. The ERO should also provide a payment voucher and mailing address, if applicable.

The taxpayer and ERO shall retain all tax documentation for three years. The IA 8453 must be signed by the taxpayer(s), preparer and ERO unless the PIN signature alternative is used. The IA 8453 and accompanying schedules are to be furnished to the department only when specifically requested.

In situations in which the ERO ceases operation, the ERO is required to send the IA 8453 forms and all supporting documents to the department, if the income tax return is dated within three years from the due date or date filed. If the ERO is unable to retain the IA 8453 forms and all supporting documents, the ERO may request permission to deliver them to the department.

39.13(3) *Direct deposit.* Taxpayers may designate direct deposit of the Iowa refund on electronically filed returns. Taxpayers must provide proof of account ownership to the ERO. The department is not responsible for the misapplication of a direct deposit of a refund caused by error, negligence, or wrongdoing on the part of the taxpayer, electronic filer, financial institution or any agent of the above. The account designated to receive the direct deposit must be in the taxpayer's name. If the taxpayer's filing status on the return is "married filing a joint return" or "married filing separately on this combined return," the account may be in either spouse's name or both spouses' names. If the filing status is married filing separately, the account may be in the taxpayer's name or may be a joint account in both spouses' names. If the filing status is "married filing separate returns," a direct deposit cannot be made if the account is only in the name of the other spouse.

The taxpayer's signature or taxpayers' signatures on the IA 8453 provide irrevocable approval of a direct deposit. Once the return has been transmitted, the direct deposit information may not be corrected. The department may, when processing procedures require, convert a request for direct deposit to a paper warrant. If refunds are sent to an incorrect bank account, the department will issue a paper refund check once the funds are returned by the financial institution.

39.13(4) *Software approval.* Software developers are required to submit a letter of intent, including the name, address, and telephone number of a contact person and a copy of IRS Form 8633 (Application to Participate in the Electronic Filing Program) in order to be considered for participation in the Iowa electronic filing program. The department will provide an application form, specifications, test package and procedures for companies wishing to develop software for electronic filing of Iowa returns. Specifications for the software developers are explained in IRS Publication 1346 and Iowa Publication 16-107, "Electronic Return File Specifications and Record Layouts." The developers will also be provided with test data and instructions so that developers may test their programs for processing electronic returns with the department. Software developers are required to pass transmission tests before the developers' software will be approved for electronic filing of Iowa income tax returns. The test period shall be defined annually by the department.

39.13(5) *ERO approval.* Only returns transmitted by EROs that are approved by the IRS will be accepted by the department. Once accepted by the IRS as an ERO for a specific tax year, the ERO is automatically accepted to file Iowa returns. There is no additional notification or approval process required by the department.

39.13(6) *Suspension of an electronic filer from participation in the Iowa electronic filing program.* The department may immediately suspend, without notice, an electronic filer from the Iowa electronic filing program. However, in most cases, a suspension from the Iowa electronic filing program is effective as of the date of the letter informing the electronic filer of the suspension. Before suspending an electronic filer, the department may issue a warning letter which describes specific corrective action required because of deviations from this rule.

If an electronic filer is either denied participation in the federal electronic filing program or is suspended from the federal program, the electronic filer shall automatically be prohibited from participation in the Iowa electronic filing program.

An electronic filer who is eligible to participate in the federal electronic filing program may be suspended from the Iowa electronic filing program if the electronic filer has allowed any of the following conditions to occur. This list is not all-inclusive.

- a. Deterioration in the format of transmissions of individual Iowa returns;
- b. Unacceptable cumulative error or rejection rate or failure to correct errors in transmission of Iowa returns;
- c. Untimely received, illegible, incomplete, missing, or unapproved substitute IA 8453 forms;
- d. Stockpiling returns at any time while participating in the Iowa electronic filing program;
- e. Failure on the part of the transmitter to retrieve an acknowledgment file within two working days of transmission by the department;
- f. Failure on the part of the transmitter to initiate the communication of acknowledgment files to the electronic return originator (ERO) within two working days of transmission by the department;
- g. Significant complaints about the electronic filer;
- h. Failure on the part of the electronic filer to cooperate with the department's efforts to monitor electronic filers, investigate electronic filing abuse, and investigate the possible filing of fraudulent returns;
- i. Submitting the electronic portion of a return with information which is not identical to information on the IA 8453;
- j. Transmitting the Iowa return with software that was not approved for use in the Iowa electronic filing program;
- k. Failure on the part of the electronic filer to provide W-2s, 1099s, or out-of-state tax returns when requested.

39.13(7) *Administrative procedure for denial of an electronic filer's participation in the Iowa electronic filing program or for suspension of an electronic filer from the Iowa electronic filing program.* In a situation in which an electronic filer has requested participation in the Iowa electronic filing program but there is a reason to deny the electronic filer's participation, the department will send the electronic filer a letter to advise that the electronic filer will be denied entry into the program. In another situation in which an electronic filer is a participant in the Iowa electronic filing program but the electronic filer is to be suspended from the program for any conditions described in subrule 39.13(6), the department will send the electronic filer a letter to notify the filer about the electronic filer's suspension from the program.

In cases in which the electronic filer either disagrees with the denial of participation letter or the suspension from participation letter, the electronic filer must file a written protest to the department within 60 days of the date of the denial letter or the suspension letter. The written protest must be filed pursuant to rule 701—7.41(17A). During the administrative review process, the denial of an electronic filer's participation in or the suspension of an electronic filer from the Iowa electronic filing program will remain in effect.

This rule is intended to implement Iowa Code sections 422.21 and 422.68.